MISSOURI AUTOMOTIVE JOBS TASK FORCE

August 14, 2009

MISSOURI
Department of Economic Development

The Honorable Jeremiah "Jay" Nixon
Governor
State of Missouri
State Capitol
Jefferson City, MO 65102-0720

Dear Governor Nixon,

As Director of your Department of Economic Development, I am pleased to share in the presentation of this report from your Automotive Jobs Task Force.

Your Automotive Jobs Task Force was convened to focus on Missouri's evolving role in the global automotive industry. As you know, Missouri's own automotive industry has been in transition for the past several years, and the current economic crisis has had a profound impact on our state's companies, communities, and workers.

Against this backdrop, the Missouri Department of Economic Development continues to strive to stabilize our manufacturing base, so that our state can move forward and once again be home to the businesses and jobs that represent the automotive future.

The Missouri Department of Economic Development has been working closely and strategically with various federal agencies to bolster our existing base of manufacturing employment. Our immediate goals have been to retain high-paying jobs where we must, respond to declining employment numbers where we can, and above all, invest in training and retraining Missouri's workforce in preparation for the needs of tomorrow's industry.

Meanwhile, the experts you chose to serve on this task force have provided you with their best assessment for opportunities to create new jobs within the automotive industry. I look forward to further discussions with businesses, labor, economic developers, community leaders, policy makers and other stakeholders across Missouri as the recommendations in this report begin to be addressed.

While we cannot ignore the current economic climate, we must continue to keep Missouri moving forward, pledging to work together and creating future opportunities for the citizens in our great state.

Respectfully yours,

Linda Martínez
Director
Missouri Department of Economic Development

August 14, 2009

The Honorable Jeremiah "Jay" Nixon
Governor
State of Missouri
State Capitol
Jefferson City, MO 65102-0720

Dear Governor Nixon,

On behalf of the membership of your Automotive Jobs Task Force, I am pleased to present to you our findings. This report is an assessment of critical issues confronting Missouri's automotive industry and a listing of recommendations that we believe are integral to addressing those issues, so that Missouri may revive and grow its base of sustainable manufacturing jobs.

The Task Force members you appointed represent a qualified, experienced and diverse group of individuals, each with industry expertise in vastly different areas. As a result, I am pleased to inform you that the breadth of knowledge possessed by members of the Task Force is reflected in the diversity of the topics spanned by our recommendations.

As you and other policy makers read through this report, we hope you will remain aware of the tremendous and as-yet unrelenting changes the industry continues to undergo. We understand that the challenges facing the global economy have affected both state and local governments as well as private businesses – the automotive sector being no exception. In spite of this, we are confident that the report herein will spark the necessary conversations and decisions by our state's leadership, which is committed to building on our strengths and creating new economic opportunities and new jobs in Missouri.

Finally, we would like to applaud and thank you for your firm and committed leadership on this issue. Your recognition of the importance of the automotive industry to Missouri – even prior to being elected as Governor of our state – and your decisiveness in convening this Task Force immediately upon taking office as Governor, are significant first steps towards constructing a brighter future for the residents and businesses of Missouri that depend on the automotive economy.

The State of Missouri occupies an important and proud place in the history of our nation's automotive sector. Under your guidance, we are honored to have the opportunity to help shape the next chapter in Missouri's evolving relationship with this vital industry, and on behalf of all members of the Automotive Jobs Task Force, I dutifully submit the report herein.

Respectfully yours,

Christopher Chung
President/CEO – The Missouri Partnership
and Chair – Missouri Governor's Automotive Jobs Task Force

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About the Missouri Governor's Automotive Jobs Task Force

On January 13, 2009, immediately after taking office, Governor Nixon signed Executive Order 09-01, creating the Automotive Jobs Task Force. (The order was supplemented by Executive Order 09-15, which officially named members to the Task Force.)

The Automotive Jobs Task Force brought together leaders within Missouri's sprawling automotive industry – including representatives from automotive assembly companies and suppliers, workforce development organizations, educational and academic institutions, and economic development groups – to develop policy actions by which Missouri could increase its attractiveness for new and innovative automotive investment.

The official capacity of the Task Force was to review and identify opportunities, and to provide broad recommendations to the Governor that, if implemented, would position the state to more effectively create and retain automotive employment in the state.

Task Force members were as follows:

Dave Bardgett
Account Manager
Gage Products

Lori Becklenberg
Director of Business Recruitment
St. Louis Regional Chamber and Growth Association (RCGA)

Susan Carlson
Partner
Chackes, Carlson & Spitzer LLP

Christopher Chung (CHAIR)
President/CEO
Missouri Partnership

Jim Curran
Director of Business Development
Electrical Connection

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Chancellor
St. Louis Community College

Bob Lloyd
President
Bodine Aluminum

Linda Martínez (EX OFFICIO)
Director
Missouri Department of Economic Development

Clyde McQueen
President and CEO
Full Employment Council of Kansas City

Randy Moore
President
Eagle Picher Technologies

Don Nissanka
President
Kokam America

Tony Reinhart
Regional Director of Government Affairs
Ford Motor Company

Nick Robinson
International Representative – Region 5
United Auto Workers

Zsolt Rumy
President
Zoltek Corporation

Jim Russell
President
Jim Russell Government Relations

John Schicker
General Manager
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Dr. John Sheffield
Professor and Associate Director
National University Transportation Center
Missouri University of Science and Technology

Jack Stack
President and CEO
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Jason Archer
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Business and Community Services Division
Missouri Department of Economic Development

Introduction

On December 16, 1811, the largest natural disaster to hit North America occurred in the area of the Louisiana Territory that would one day be known as the state of Missouri. The 400 residents of New Madrid were shaken from their beds at 2 a.m. Church bells rang in cities as far away as Boston, while sidewalks cracked in the nation's capital.

Yet this was no match for what was being experienced by those along the "Mighty Mississippi."

The steamboat "New Orleans" – the first of its kind to ply the Mississippi River – was moored to an island in the middle of the river during the night of the incident. When the earthquake struck, the ship's crew reported that the waves on the river were as violent as those adrift a stormy sea. The waves rose up high and swept north, causing many to report that the river actually flowed "backwards."

The tectonic plates holding the North American continent together shifted so suddenly – and dramatically – that the Mississippi River changed course. The altered flow of the river eventually created what is now called the "Kentucky Bend," while draining an entire lake in Missouri, filling it with sand in the process, and creating what is now the Reelfoot Lake on the border of Kentucky and Tennessee.

As the first light of December 16th dawned, it became evident that the island to which the steamship "New Orleans" was earlier moored had disappeared altogether. Aftershocks continued for another three months, but the landscape of the young nation was forever changed. The Mississippi River – which had resumed its majestic southward flow towards the Gulf of Mexico – assumed its rightful role as America's primary mode of transportation for expansion and economic development.

Missouri's "Economic Earthquake"

In January 2002, the initial tremors of an industry-wide disruption that would eventually shake Missouri's automotive sector to its core. Ford announced at the time its plans to cease all manufacturing operations in Hazelwood. While public- and private-sector leaders were able to put an offer together that extended the life of the Hazelwood facility, operations were eventually closed in 2006, and with the disappearance of Missouri-made Ford Explorers, so too were displaced nearly 2,500 automotive assembly jobs in the St. Louis region.

In July 2008, Chrysler declared plans to permanently idle its St. Louis South Assembly Plant – a five decades-old facility where the iconic Dodge Minivan had been made and that had been retooled with $500 million of new investment just one year prior to the stunning announcement. Less than a year later, as part of its emergence from bankruptcy with the help of new Italian ownership from Fiat, Chrysler decided also to turn out the lights at its St. Louis North Assembly plant – the company's sole remaining Missouri facility – when 2009 model year production ended in mid-July.

In June 2009, General Motors, once the global leader in automobile sales, arrived at what had once been an unthinkable fate of bankruptcy. While the company emerged from bankruptcy in record time and its full-sized van assembly facility in Wentzville was spared from closure due to the uniqueness of the location's product, continued weak demand forced the company to lay off its entire second-shift employment of 900 Missourians. Global sales for all vehicles have declined enough that only one shift is sufficient to meet demand for the foreseeable future.

Together, the plant closures and layoffs of the past three years have rippled throughout the network of suppliers, communities, and automotive workers across Missouri. Though Missouri's automotive sector was once home to nearly 40,000 jobs as recently as 2004, employment today has declined by more than 35 percent to less than 26,000.[1]

Meanwhile, dealer closings and consolidations have also left additional thousands displaced in Missouri and across the entire nation. In the years since 2004, Missouri – once America's second-largest producer of automobiles and formerly home to five "Big Three" assembly plants – is now contemplating an industrial sector substantially diminished in prominence from just several years ago.

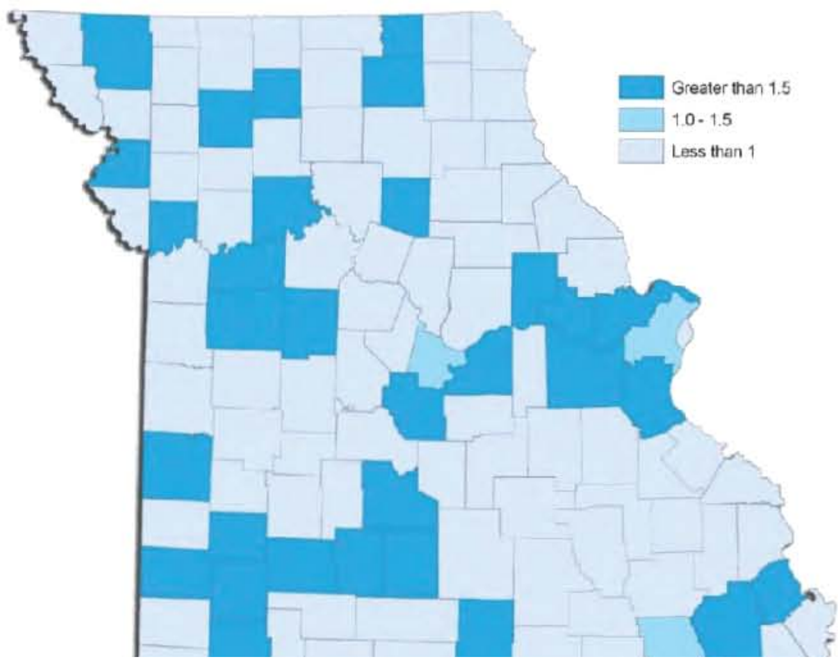
The Role of Missouri's Automotive Industry in a Changing Global Economy

The historical importance of the automotive industry sector to Missouri's economy is significant, reflecting the long tradition of productive workers and successful manufacturers operating in the state. Missouri has been an integral part of the automotive sector since the early days of the industry. In fact, the first locally-manufactured gas engines were built in 1897 by the St. Louis Gasoline Engine Company.

Over the years, Missouri has perennially distinguished itself as a Top 10 state for automotive vehicle production, possessing a base of automotive industrial knowledge unrivaled by most every state in the country.

Nearly one-third of Missouri's counties have auto industry employment concentrations that exceed the national average. In nearly every county, hardworking Missourians are employed in one of the hundreds of automotive industry-related positions.

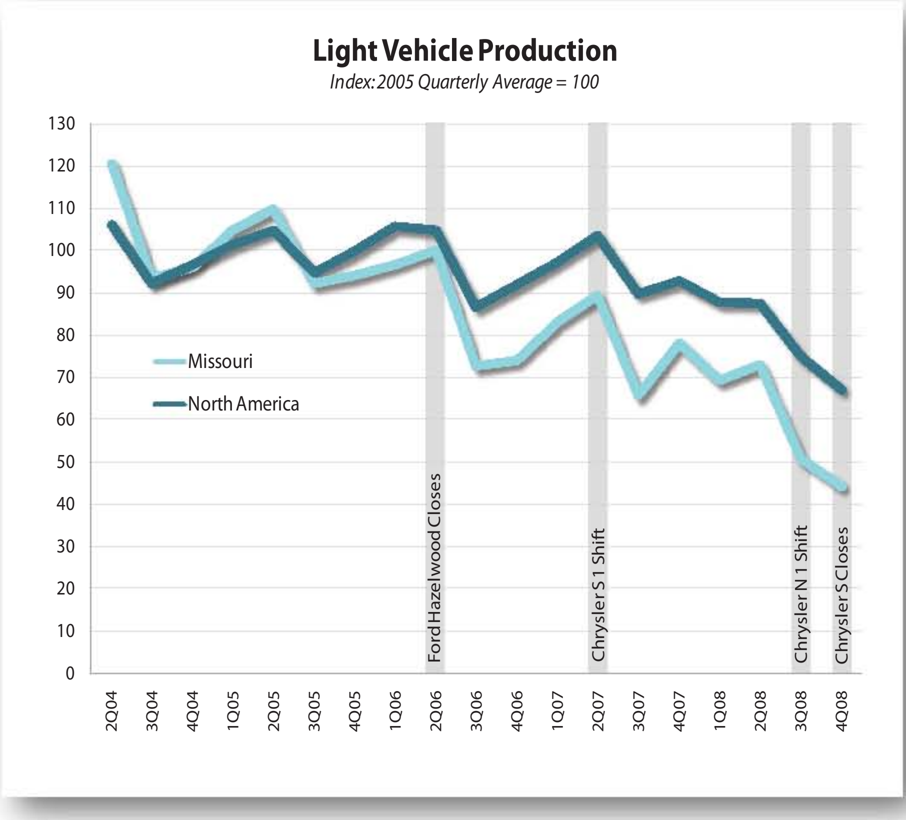
Missouri's High Auto Employment Counties



Location quotient above 1.0 exceeds national level

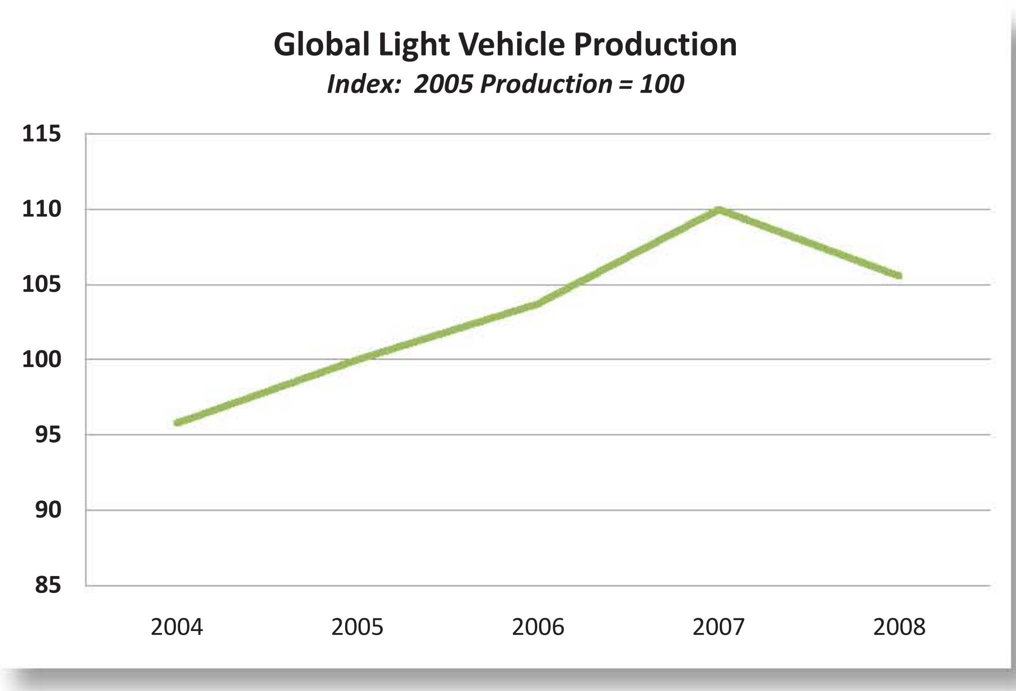
[1] ***Source: U.S. Bureau of Labor Statistics and Missouri Economic Research and Information Center/ Business and Community Services Division***

Missouri workers have exceptional skills and experience in all aspects of motor vehicle production, with particular specializations in light truck and utility vehicle manufacturing, storage batteries, truck trailer manufacturing, vehicle lighting, seating, and brake systems. Auto manufacturing contributes over $4 billion annually to the state's economy and represents Missouri's second largest goods-producing sector, though these numbers will no doubt be affected by the events of 2009. Automotive products also represent one of the state's largest exports to the rest of the world, making up 18 percent of Missouri's total exports in 2008.[2]



Source: PWC Auto

Missouri's automotive industry has traditionally served as a dependable source of quality jobs and benefits, with typical wages exceeding the statewide average by up to 50 percent. The industry enjoys one of the highest economic multipliers, with every 10 jobs created or retained supporting an additional 43 Missouri jobs, making the attraction of more jobs in the auto industry one of the most worthwhile economic development pursuits.



Source: PWC Auto

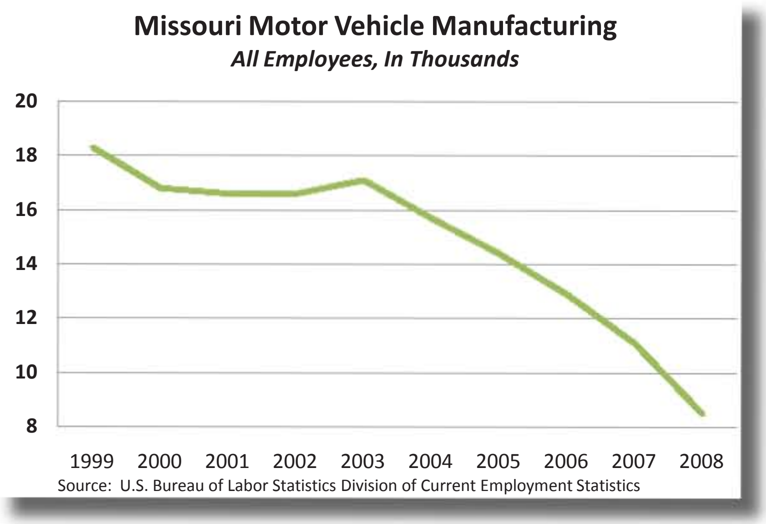
[2] ***Source: Missouri Economic Research and Information Center/Business and Community Services Division***

However, recent trends are cause for concern. The global economic recession has prompted a worldwide decline in automobile sales, with a nearly 25 percent drop in total light vehicle sales from the prior year. Slumping sales have led to reduced production levels and the loss of jobs at assembly plants and parts suppliers, most immediately, but also affecting jobs, livelihoods, and entire communities throughout the larger economy.

Missouri's automotive sector has also witnessed a "double impact" due to the state's fortunes closely following those of Detroit's "Big Three" companies: Ford, General Motors, and Chrysler. These companies have experienced ongoing competitiveness issues within the industry, which are only being compounded by the troubled economy. The result for Missouri has been a steep decline in vehicle production levels, due to decreased levels of demand, and the loss of many jobs, led primarily by reduced employment and capacity at "Big Three" operations in the state and their related suppliers.

The Road Ahead

Soberingly, today sixty percent fewer vehicles are assembled in Missouri as compared to 2005 production levels.[3] Meanwhile, employment in Missouri's automotive sector has since declined 35 percent from its peak to less than 26,000 today.[4] Recent developments with Chrysler are only certain to further widen the contrast between past and current measures of the industry's strength in Missouri.



In spite of this, the Automotive Jobs Task Force is convinced that Missouri still remains home to a wealth of assets that make it as attractive as ever for automotive investment. Of the many competitive advantages that Missouri still maintains in the automotive industry, the more noteworthy include:

- A continued significance in the automotive manufacturing sector, as demonstrated by more than 250 facilities in the state,[5] including the Ford assembly plant in Liberty (consistently cited by the Harbour Report as one of the most efficient sport-utility vehicle and pickup truck assembly plants in North America) and the General Motors assembly plant in Wentzville (cited by the 2006 Harbour Report as the most productive full-size van plant in North America);
- A productive, dedicated, and skilled automotive workforce of nearly 25,500 Missourians, making Missouri the 8th largest state in terms of automotive employment;[6]
- A physical infrastructure of existing facilities, transportation, utilities, and dealerships that strongly complement the production and distribution needs of the auto industry;

[3] ***Source: PWC Auto***
[4,5] ***Source: Missouri Economic Research and Information Center/Business and Community Services Division***
[6] ***Source: Missouri Economic Research and Information Center/Business and Community Services Division and InfoUSA***

- A history of producing nationally acclaimed vehicles like the Dodge Caravan(Motor Trend Car of the Year and National Car of the Year in 1996), the Ford F-150 pickup truck (Motor Trend Truck of the Year and North American Truck of the Year in 2004), the Chevrolet Express van (ranked third-best full-sized van by JD Power in 2003), and the Dodge Ram pickup truck (Motor Trend Truck of the Year in 2003);
- Educational institutions that produce 2,475 engineering graduates annually[7], and a strong network of community colleges devoted to constantly upgrading the skills of Missouri's manufacturing workforce; and
- A business climate that boasts central proximity to the nation's markets, low energy costs, competitive tax rates, and industrial diversity.

Though softened by present economic conditions, long-term demand for new cars and trucks will undoubtedly resume and remain a constant element of the national economy. When the economy rebounds and consumer confidence returns, most believe that the strength of pent-up demand will fuel a period of robust industry sales.

Yet, there is little doubt that the impending revival of the U.S. automotive industry will invite a new set of behaviors, tastes, and technologies, like those below, that ultimately determine the success and failure of the companies that remain in the industry:

- Styling and features that appeal to a younger demographic;
- Advanced safety and design features aimed at accommodating the increasing number of elderly drivers on the road;
- Small, safe, and efficient cars that complement an urban lifestyle;
- Alternative power trains, such as plug-in hybrids and fuel cells, that achieve better fuel economy against the backdrop of climbing gasoline prices; and
- Affordable, "green" vehicles that allow consumers, no matter how financially limited, to conserve resources, decrease emissions, and protect the environment.

Given these changes, and given the unquestioned importance of the automotive industry to Missouri's past, present and future economic health, the state of Missouri must consider how best to position itself to secure the automotive industry jobs of the future.

About This Report

Recent events in the automotive industry have had far-reaching consequences on all facets of Missouri's well-being. The elimination of thousands of well-paying jobs has created ripple effects on social stability, public health and safety, and community quality of life. A tremendous amount of work remains for the state, its communities, its residents, and its businesses, as all groups collectively navigate these trying times.

It is important to note that of the challenges – social, economic, and otherwise – that must be dealt with by this collective effort, many are already beginning to be addressed by

[7] *Total degrees conferred by public and private institutions in Engineering/Engineering Tech, FY 2007. Source: Missouri Department of Higher Education.*

government, civic, and non-profit organizations. The Governor's Automotive Jobs Task Force has focused exclusively on the important question of what the state of Missouri can be doing to retain and expand its base of automotive employment and investment.

Herewith, then, the Automotive Jobs Task Force submits the following recommendations to the Governor, with specific policies or action items provided in further detail in the pages that follow:

- The state of Missouri should create an environment – as experienced by businesses and consumers – that is supportive of new technological developments and encourages consumption of new automotive technologies, including "green" or environmentally friendly automobiles.
- The state of Missouri should enhance the resources dedicated to providing Missouri's auto-related workers – past, present, and future – with the "hard" and "soft" skills required by the evolving global industry.
- The state of Missouri should provide access to resources that assist automotive companies statewide in growing or diversifying their sales, upgrading their technological capabilities, and increasing their long-term viability.
- The state of Missouri should evaluate and enhance its economic incentives toolbox to increase its competitiveness for new automotive investment.
- The state of Missouri should coordinate and focus efforts on identifying reuse opportunities for vacant automotive production and supplier facilities.

TASK FORCE RECOMMENDATIONS

The state of Missouri should create an environment – as experienced by businesses and consumers – that is supportive of new technological developments and encourages consumption of new automotive technologies, including "green" or environmentally friendly automobiles. To this end, the Automotive Jobs Task Force recommends that the state of Missouri:

I. Support the development and commercialization of new automotive technologies, including in the area of alternative fuels

The state of Missouri should establish financial incentives for developers of new automotive technology. Likely incentives would include a corporate income tax credit for targeted industry research and development, which a number of states currently offer to companies proposing to make research and development investments. Such tax credits are typically offered as a percentage of the total qualified investment made by a company in eligible research and development activity, with eligibility guidelines mirroring federal tax-code definitions of "research and development."

Regardless of how such tax credits are structured, any financial incentives should be impartial to encouraging any one specific type of technology, i.e. hybrid-electric versus plug-in hybrid, flex-fuel versus fuel cell. Rather, any new incentives should be focused on achievement of broad goals, such as attainment of higher fuel economy or integration of alternative fuel technology.

Additionally, a number of Missouri's universities, non-profit research organizations, and private companies are currently receiving substantial funding – often from federal sources – for alternative fuel research. The state of Missouri should establish matching incentives by which these research investments can be advanced into successful "technology transfer" and commercialization efforts that make Missouri a center of excellence for bio- and alternative fuels. For example, state incentives formerly available to encourage ethanol production could be expanded to encourage refinery and other investments in the production of all bio-fuels, including advanced forms derived from algae or biomass. Resources currently directed by the Missouri Technology Corporation, including competitive grant funding, should also be considered for their potential role in converting ongoing research on alternative fuels into viable commercial enterprise.

Commercialization incentives should not be limited to one particular technology, although specific fuel research may be guided by what areas have been funded previously by federal agencies, including such technologies as algae and biomass.

Given the constraints of Missouri's current fiscal environment, any new incentives to encourage research and development or commercialization activity – which would be administered through such agencies as the Missouri Department of Economic Development and the Missouri Technology Corporation – would require an overall program cap or limited eligibility.

II. Commission a study on resources necessary to build a "Green Auto" infrastructure

By 2030, it is projected that up to 40 percent of vehicles on the road will utilize hybrid-electric, plug-in hybrid, or alternative fuel technology[8]. This scenario could have significant implications for the infrastructure of Missouri's system of highways and roads.

By moving quickly on identifying necessary upgrades to Missouri's transportation system, the state can position itself to more effectively and widely accommodate next-generation automobiles. This, in turn, would further develop a market in Missouri for next-generation vehicle technology, making the state more attractive for production and manufacturing activities related to industry-wide adoption of those new technologies.

The state of Missouri should convene the Missouri Department of Transportation, the Missouri Department of Natural Resources, and related state agencies to conduct a research study outlining the necessary resources and infrastructure to create a "green automotive corridor." Such a corridor would be similar to the "E-85 corridor" now running between Kansas City and Chicago, and would be designed to facilitate easier refueling and maintenance/repair capabilities for next-generation automobiles. This study, which could also assess the feasibility of "green automotive cities," would identify such issues as:

- Automotive technologies most likely to be broadly implemented across society and resulting changes in driver behavior and/or driving patterns;
- Anticipated technological standards for next-generation vehicles;
- Service and maintenance needs to accommodate next-generation vehicles, including training and certification of mechanics and related workers;
- Projected costs of implementing new refueling/recharging systems statewide or within individual cities; and
- Economic savings or value that the state or local municipalities could expect to realize as early adopters of such a system.

[8] ***Source: U.S. Energy Information Administration***

Commercialization incentives should not be limited to one particular technology, although specific fuel research may be guided by what areas have been funded previously by federal agencies, including such technologies as algae and biomass.

Given the constraints of Missouri's current fiscal environment, any new incentives to encourage research and development or commercialization activity – which would be administered through such agencies as the Missouri Department of Economic Development and the Missouri Technology Corporation – would require an overall program cap or limited eligibility.

III. Establish a "Missouri Center for Automotive Excellence" or "Missouri Center for Automotive Technology"

The proposed Missouri Center for Automotive Excellence (or Missouri Center for Automotive Technology) could coordinate all state programs and policy making functions designed to assist in the growth of automotive and auto-related manufacturing activities in Missouri. The Center would track ongoing developments in the automotive industry, in addition to:

- Monitor training activities, and programs offered by public and private institutions.
- Assisting technology development and transfer from universities and inventors.
- Collecting, monitoring and disseminating information from federal, state and private institutions affecting the industry

The Center would assume additional responsibilities for proposed measures aimed at assisting the state's community of automotive suppliers. The Center would be established by way of an Executive Order and could be housed within the Missouri Technology Corporation (MTC), with a structure similar to that of the Research Alliance of Missouri (RAM).

The proposed Center could be supported by private investment, as well as state funding.

IV. Inform consumers about new automotive technologies and encourage auto buyers to consume products incorporating these technologies

The more rapidly a market can develop in Missouri for next-generation vehicle technologies, the more attractive the state will begin to appear for manufacturing and other job-creating activities related to the industry, based in large part on the transportation savings that producers can realize by locating closer to the markets into which they sell. The state of Missouri can play a role in accelerating development of the market for next-generation vehicles, by creating an environment where consumers are informed about and encouraged to consider next-generation vehicles, especially those that are made in Missouri.

With an increasing array of vehicle types from which to choose, customers face the need to learn more about the variety of "green" and other automotive products available to them. The state of Missouri can play in role – using public service announcements, for example – in educating Missouri consumers on next-generation automobiles, especially those built in Missouri and that may be eligible in the new federal "Cash for Clunkers" incentive program, which is aimed at helping auto buyers with the cost of replacing older, less fuel-efficient models with newer, more fuel-efficient technologies.

To facilitate the purchase of more vehicles manufactured in Missouri, the state of Missouri could work with state-chartered banks to establish a "Loan Missouri" program aimed at helping Missouri residents and small businesses finance the purchase or lease of Missouri-made automobiles, especially those vehicles that incorporate fuel-efficient or next-generation technologies.

The state of Missouri could also create a matching incentive, at the state level, to mirror the federal "Cash for Clunkers" incentives to generate market demand for new, technologically-advanced, and fuel-efficient vehicles in Missouri; this measure would only be implemented after satisfactory analysis of the federal program's effectiveness is completed.

The "Loan Missouri" program could be further coordinated with a state counterpart of the federal "Cash for Clunkers" incentive program, i.e. qualified vehicle purchases through a state version of the "Cash for Clunkers" initiative could be financed through the program at a special rate.

These programs could be administered through the Missouri Department of Insurance, Financial Institutions & Professional Registration, which would also be responsible for developing costs and procedures associated with administration of any new consumer incentives.

V. Modify state policies to increase demand for next-generation vehicles

The state of Missouri should work with Missouri counties and municipalities on creating a favorable environment for the purchase of next-generation vehicles. This would be done with the goal of demonstrating Missouri's embrace of new automotive technologies, while also creating a larger market in Missouri for such vehicles – and thus making Missouri a more attractive location for the manufacturing of those vehicles, due to lower costs associated with transporting finished products to the end customer. This, in turn, would lead to increased job creation opportunities for Missouri industry.

Revising guidelines for procurement to include or encourage next-generation vehicles, regardless of technology, would be one means by which state and local governments could stimulate increased demand for these products in Missouri. Accommodating next-generation vehicles with favorable treatment under traffic laws could be another approach by which policy changes could contribute to increased sales; for example, the state of Virginia modified its laws governing high-occupancy vehicle lanes ("carpool lanes") to allow their use by solo drivers of hybrid-electric vehicles[9].

The state of Missouri should also consider new incentives that encourage private companies with significant automotive fleets (i.e. 100 or more vehicles) to purchase next-generation automobiles, as an additional means of increasing market demand in Missouri for such vehicles. Possible incentives could include accelerated property depreciation schedules, property tax abatement, or sales and use tax exemptions.

VI. Integrate new automotive technologies into automotive maintenance training and driver education

The next generation of automobiles will demand updated skills for vehicle maintenance technicians and increased familiarity among consumers considering new automotive technologies. Given that, the state of Missouri should promote additional curricula focused on acclimating the state's automotive repair technicians and drivers to the various powertrain technologies emerging in today's automotive industry.

Such curricula could include updated training – both for auto mechanics and consumers – for electric and other hybrid vehicles. Vocational and technical schools would take the lead on implementing educational offerings aimed at mechanics and repair technicians, while conventional driver's education schools could take the lead on consumer-focused training.

Consumer-oriented education could focus on knowledge of different fuel types (e.g. E-85 ethanol-blended gasoline) available to consumers. It could also be modeled after or supplemented by existing driver education programs like the Alliance of Automobile Manufacturers' "EcoDriver" training, which helps motorists understand how to increase fuel efficiency and decrease environmental impacts through improved driving techniques.

The state of Missouri could also stipulate that state employees requiring driver education receive similar training for new technology vehicles.

These measures all aid in the development of Missouri's market for new automotive technologies, and thus raise the potential attractiveness of Missouri as a home to the manufacturing and job-creating activities that support the growth of the industry.

[9] *Until July 1, 2010, vehicles bearing clean special fuel vehicle license plates, issued pursuant to § 46.2-749.3 of the Code of Virginia, may use HOV lanes.*

The state of Missouri should enhance the resources dedicated to providing Missouri's auto-related workers – past, present, and future – with the "hard" and "soft" skills required by the evolving global industry. To this end, the Automotive Jobs Task Force recommends that the state of Missouri:

I. Foster a culture of ownership and entrepreneurialism in Missouri's auto-related companies

At no previous time in the history of the domestic auto manufacturing industry have American workers had as much direct ownership as they currently hold or are expected to hold in the companies where they work, due to post-bankruptcy ownership arrangements for Chrysler and General Motors; consequently, the state of Missouri should encourage the inclusion of business ownership training and entrepreneurial education in any state-assisted worker training programs. The state should also consider integrating elements of entrepreneurial education in the primary and secondary education systems.

This approach could also be applied to worker training models outside the automotive industry, as a heightened understanding among workers of how individual contributions affect an entire organization's profitability can facilitate increased productivity among Missouri workers and increased performance among Missouri corporations.

This measure would reflect the increasing trend of automotive workers maintaining a direct stake in the profitability of the companies where they are employed; this new reality should be matched by a training approach that highlights the need for employees to view themselves as individual profit centers, rather than only as wage earners.

Additionally, though the skill level, trainability, and productivity of Missouri's automotive workforce is as high as any other states' in the nation, the risk is high that recent displacements in the state's automotive industry could lead to permanent "skill drain," with automotive production employees leaving the state to work at other auto-related facilities in the U.S. or exiting the industry altogether, due to early retirement or lack of relevant employment opportunities.

Recognizing this threat of "skill drain," the Missouri Department of Economic Development could convene Missouri's experts in the field of entrepreneurship and small business development, with the goal of reviewing state policies and practices that either help or hamper innovation-based and start-up businesses in Missouri, especially those manufacturing businesses that could be formed by displaced automotive workers. Premier thought leaders in entrepreneurism, such as the Kauffman Foundation in Kansas City, could assist in leading this assessment of Missouri's capacity to grow more manufacturing-oriented start-ups.

Finally, as displaced automotive employees evaluate their options on re-entering the workforce, those armed with stronger backgrounds in business ownership and entrepreneurial training will be better equipped to draw on their manufacturing knowledge to launch their own enterprises, paving the path for more small businesses – some auto-related, some not – to replace jobs lost by automotive industry reductions.

II. Evaluate the flexibility of Missouri's various workforce development and job training programs

Recognizing the constant evolution of the global automotive industry, the state of Missouri should candidly appraise its worker training resources – including the New Jobs Training and Customized Jobs Training programs – for their effectiveness in fulfilling the needs of auto-related companies in the state, especially in terms of whether or not the benefits of such programs are sufficiently:

- Available on-demand, as new production technologies emerge in the industry;
- Available on a just-in-time basis to accommodate the staffing and training/re-training needs of companies;
- Accessible regardless of whether in person, over the Web, or off-site from where employees will be working;
- Distributed evenly across Original Equipment Manufacturer (OEM), supplier, and automotive maintenance employees in Missouri, to ensure that worker training across the entire supply chain is current with next-generation technologies affecting all auto-related companies; and
- Transportable (i.e. certification of trained workers) from the perspective of the individual to be trained for the demands of the industry.

These criteria for flexibility would be applied to those programs already administered by the Missouri Division of Workforce Development, a division of the Missouri Department of Economic Development, and could be included as standards for the development of any new training modules aimed at developing the next generation of manufacturing skills needed for Missouri auto workers.

III. Launch a pilot program that encompasses these recommended features of state-assisted workforce training

With Chrysler's permanent closure of its St. Louis operations, the state of Missouri should implement an experimental training program, which would incorporate the recommended delivery features and business ownership-oriented content. An example of this type of new training platform could be the proposed worker transition programs to be launched by the Missouri Department of Economic Development's Division of Workforce Development at the new Chrysler Regional Collaborative Center in Fenton.

The proposed Chrysler Regional Collaborative Center would serve the needs of those affected by recent developments involving the Fenton assembly plants, their suppliers, and area dealerships.

The state of Missouri should provide access to resources that assist automotive companies statewide in growing or diversifying their sales, upgrading their technological capabilities, and increasing their long-term viability. To this end, the Automotive Jobs Task Force recommends that the state of Missouri:

I. Utilize procurement policy to increase demand for Missouri-made vehicles

The state of Missouri should work with Missouri counties and municipalities on modifying guidelines for procurement of Missouri-made automotive products. Encouraging state, county and local government entities to purchase Missouri-made vehicles will help to stimulate additional demand for products manufactured in the state, thus hopefully ensuring longer-term viability for the automotive assembly operations in Missouri.

The state of Missouri should also consider establishing incentives that encourage private companies with significant automotive fleets (i.e. 100 or more vehicles) to purchase Missouri-made automobiles, as an additional means of increasing demand for Missouri automotive production. Such incentives could come in the form of accelerated property depreciation schedules, property tax abatement, or sales and use tax exemptions.

II. Create and maintain a database of automotive suppliers in Missouri

A well-maintained database of Missouri automotive suppliers and their production capabilities would help showcase the state's auto-related businesses to potential customers both in the automotive sector. Additionally, the database could be marketed to other industries that would benefit equally from the capabilities of Missouri's automotive components manufacturers (e.g. renewable energy systems components, aerospace components, military/defense equipment components, etc.).

This measure would create the possibility for additional business opportunities for the automotive supplier base in the state, thus hopefully leading to increased opportunities for existing business expansion and job creation. The recommendation is modeled after similar approaches adopted in states like Alabama and West Virginia, which also have significant concentrations of automotive supplier activity.

The Missouri Economic Research and Information Center, housed within the Missouri Department of Economic Development, could collect and maintain this information. The proposed Missouri Center for Automotive Excellence could also play a role in promoting the information contained in the database.

III. Provide technical or financial assistance for automotive suppliers seeking to diversify into other industries

The breadth and depth of production experience that exists among Missouri's existing automotive suppliers will continue to be an asset to other auto-related companies evaluating Missouri for new investment. There are also opportunities for many of these suppliers to enter other industries that utilize similar combinations of production know-how and workforce. These industries might include, for example, aerospace component manufacturing or the production of renewable energy systems

like wind turbines or solar photovoltaic panels. The state of Missouri could play a role in assisting existing auto suppliers in transitioning or diversifying into these other industries. Just as automotive suppliers are required to meet rigorous qualification standards to sell to automotive assembly companies, they may similarly be required to qualify as suppliers to non-automotive industries like aerospace and renewable energy components. As part of the qualification process, these suppliers would go through technical "assessments" or "audits," whereby prospective customers would identify facility, workforce, or process upgrades that would have to be completed by the supplier before being ready for new supply contracts. For example, in the wind turbine component sector, wind turbine assemblers typically subject potential suppliers to a capabilities assessment that evaluates manufacturing capacity, financial stability, and quality standards (e.g. ISO 9000), among other issues.

The state of Missouri could financially assist auto suppliers with the costs of such assessments, to ease the transition of these companies into non-automotive supply chains. The state of Missouri could also consider utilizing the services of the state's higher education institutions or the state's manufacturing extension partnership – Missouri Enterprise – as a means of further reducing the cost of such supplier assessments.

IV. Provide Missouri's automotive suppliers with increased access to state assistance programs for development and adoption of new technologies

As the adoption of new product technologies at the vehicle level begins to impact the manufacturing demands on the automotive supplier base, state assistance should be made more available to suppliers making technological upgrades and innovations to enhance their competitiveness.

The Missouri Department of Economic Development should work to increase awareness of new and existing programs – whether technical (e.g. energy efficiency assessments) or financial (e.g. job creation tax credits, worker training funds, incentives for capital investment, etc.) – among all manufacturers representing the automotive supply chain in Missouri.

The Missouri Department of Economic Development should also allow the incremental economic impact of suppliers to be measured and included as part of any application for state economic incentives made by Original Equipment Manufacturers (OEMs) in connection with major new facility investments or expansions. These OEMs would be required in exchange to provide information on any Missouri-based suppliers, enabling the state to better assist those suppliers planning to implement new technologies in their manufacturing processes.

The state of Missouri should evaluate and enhance its economic incentives toolbox to increase its competitiveness for new automotive investment. To this end, the Automotive Jobs Task Force recommends that the state of Missouri:

I. Analyze, assess, and report on the feasibility economic development incentives – including funding stability and competitiveness – aimed at attracting new industrial investment

Based on a preliminary review of other states that have successfully attracted new automotive investment, the State of Missouri should commission a third-party, competitive assessment of its current toolbox of incentives to determine how it compares to those of other states that have recently secured major new investments in existing or new automotive facilities, as well as any of Missouri's surrounding states.

The Missouri Economic Development Council, the state's professional association of economic developers, commissioned a similar incentives study in 2004, leading to recommendations that resulted in the creation of the state's Quality Jobs Act tax credit program. Such a study could be refreshed or performed to more specifically focus on the state's competitive position relative to new automotive facility investment.

II. Enact an economic development incentive that encourages large (i.e. $500 million or more) capital investments that retain existing jobs in the state

Missouri's economic development incentive programs primarily generate financial value to employers based on the number of new jobs created by the employer. While job creation is the ultimate objective for state economic development efforts, the current economic climate is one in which Missouri must also strive to retain employment in many industries, including high-risk industries like the automotive sector. Intense competition amidst an environment of weak or declining sales continues to force automakers and auto suppliers to hold the line on employment levels (and often, to reduce headcounts), while making capital investments designed to raise the overall productivity of individual facility operations.

For automotive assembly companies, the costs of retrofitting and retooling an automobile assembly plant – for example, to modify it to a flexible manufacturing platform that can produce several vehicle models – can easily reach hundreds of millions of dollars. For example, Ford Motor Company recently converted – at a cost of $550 million – its Michigan Truck Plant, which formerly produced sport-utility vehicles, to the new Michigan Assembly Plant, which will now produce small vehicles.

Re-tooling investments like this, though they may not lead to an immediate increase in employment levels at the facility, are critical to retaining hundreds, and sometimes thousands, of existing high-skill, high-wage employment opportunities.

Beyond recognizing the significant costs associated with retrofitting an existing assembly plant, the state of Missouri could implement a new "mega-investment" incentive program, whereby incentive benefits are based on the value on retaining

a large number of high-paying jobs when substantial facility and equipment investment upgrades are made utilizing new technology. Models for such a program exist in other automotive states, including Michigan's Michigan Economic Growth Authority (MEGA) tax credit program and Ohio's Job Retention Tax Credit.

The Michigan model includes a credit for up to 20 years and up to 100% of the wages and employer-paid health care benefits multiplied by the personal income tax rate in effect at the beginning of the company tax year. The amount of the credit is based on the amount of the investment per job and utilizes a formula specific to the Michigan Business Tax Act. (Appendix A includes a summary of the Michigan MEGA program.)

The Ohio model includes corporate tax credits equal to the value of state income tax withholdings for the employees retained when businesses employ at least 1,000 full-time employees and make a capital asset investment of at least $200 million. In special circumstances, a company could invest at least $100 million if the retained positions pay, and will continue to pay, at least 400% of the federal minimum wage. (Appendix B includes a summary of the Ohio Job Retention Tax Credit program.)

Regardless of the form in which such an incentive program would be created, the state of Missouri should strive to ensure that any new program aimed at assisting manufacturers also protects the financial interests of the state by subjecting incentive recipients to strong standards for performance and accountability relative to job retention and/or job creation.

The Missouri Department of Economic Development could develop and administer any new program related to incentives for substantial new capital investment projects.

III. Modify existing economic development tools to support a "supplier park" model

As just-in-time efficiencies and the desire to avoid high transportation costs drive the automotive manufacturing industry towards the model of co-locating principal suppliers adjacent to assembly facilities – i.e. in "supplier parks" next to or on the same site as the assembly factory – state incentive policy should reflect this new model in calculating benefit levels for job creation and/or capital investment.

The state of Missouri – specifically the Missouri Department of Economic Development – should consider how its economic development tools could be modified to account for these industry changes, so that incentive applications can recognize the job creation and capital investment being made by two or more employers (e.g. the assembly facility and an adjacent supplier) and result in an equivalent level of financial assistance.

IV. Develop a state manufacturing policy

Given the recent upheavals in Missouri's automotive industry – which forms a cornerstone of Missouri's manufacturing economy and lifeblood for much of Missouri's workforce – there is a timely opportunity for the state to develop a manufacturing policy that can help create a competitive climate for all types of manufacturing activity in the state.

Issues such as taxation, workforce development, environmental regulation, infrastructure funding, and educational attainment all have a significant bearing on the attractiveness of Missouri as a state in which to manufacture products; the state of Missouri could evaluate its competitive position in these areas and then seek to establish policies that are considered by manufacturers to improve the state's performance in these key measures.

The Missouri Department of Economic Development – working with other business and labor groups – could incorporate this goal into any long-term economic development strategic plan to be developed for the state.

The state of Missouri should coordinate and focus efforts on identifying reuse opportunities for vacant automotive production facilities. To this end, the Automotive Jobs Task Force recommends that the state of Missouri:

I. Develop special environmental regulation governing the reuse of former automotive assembly plants

Attracting new users to vacant production facilities will be integral to restoring jobs that have been displaced by automotive companies and their suppliers.

One of the most significant challenges in recruiting companies that can reuse facilities like those that Chrysler formerly occupied in Fenton, will be the issue of environmental liability surrounding the properties in question. The state of Missouri should determine whether or not any special provisions can be made with respect to environmental liability indemnification or "fast-track" permitting measures that would allow for new companies to more easily and expeditiously utilize existing facilities. The state of Missouri could also consider setting aside special revenues to assist with clean-up actions to prepare vacant facilities for reuse by other manufacturing entities. These would be in addition to the "brownfield" tax credit incentives that currently assist with redevelopment of former industrial sites.

The Missouri Department of Natural Resources, working in conjunction with partners like the Missouri Department of Economic Development, could administer such measures aimed at facilitating rapid reuse of former automotive plants.

II. Raise awareness of Missouri's automotive assets – including former production facilities now available for reuse – by developing key relationships with major manufacturers within and outside the industry

As other states have done in successfully recruiting new automotive investment – whether at "greenfield" locations or existing manufacturing facilities – the state of Missouri must consistently promote its automotive strengths, including quality of workforce, supplier base, low business costs, and transportation infrastructure.

In addition to traditional marketing techniques to promote Missouri for new investment by the industry, there is substantial value in having the Governor lead the state's charge in developing strong relationships with executives from auto manufacturers and suppliers. This type of relationship-building is critical for two reasons: Reminding manufacturers that Missouri's leadership values their economic contributions to the state; and proactively engaging the management of these companies far in advance of any future decisions on new investment or expansion projects that might include Missouri as a location option. The Governor should consider making personal visits on a regular basis with major automotive companies, including those with and without a presence in Missouri, and those with both U.S. and foreign ownership.

The Governor should also consider regular meetings with non-automotive companies – including in the renewable energy and aerospace sectors – that might also be able to utilize Missouri's existing automotive assets and infrastructure to create additional jobs in other industries. Additionally, with an anticipated $8 billion in federal grants to be awarded for upgrading high-speed rail systems across the U.S. – plus additional amounts in future

years, demand is expected to increase significantly for new railcar production and train sets to run on proposed intercity routes like those between St. Louis and Chicago. This type of manufacturing could also benefit tremendously from the facilities and skilled workforce previously employed in Missouri's automotive sector; railcar manufacturing companies could also be receptive targets for economic development marketing and outreach efforts.

These visits could be part of a broader "trade and investment mission" strategy that leverages the Governor's presence in helping to market Missouri and its communities for new economic development.

III. Coordinate information-sharing and other actions across the federal, state, regional, and local levels

Efforts to seek and recruit new users for vacant automotive facilities in Missouri will benefit significantly from an integrated approach by federal, state, regional, and local authorities. At a minimum, the state of Missouri should share the recommendations herein with partners at the federal, regional, and local levels, to determine if there are ways for all parties to pool financial resources for assisting auto-related companies in Missouri, to coordinate marketing and outreach efforts, and/or to work together on fostering long-term relationships within the automotive industry.

Conclusion

The earthquake of 1811 unalterably changed the geography of Missouri and the Mississippi River that flowed through it; the pressures caused by today's global downturn have brought about an economic earthquake that has similarly transformed Missouri's automotive landscape for the foreseeable future.

Even as it convened over the course of three months, the Automotive Jobs Task Force observed first-hand the continued "shake and shift" of Missouri's automotive economy. In the months since the first meeting of the Task Force, both Chrysler and General Motors filed bankruptcy. Numerous suppliers – inside and outside Missouri – were pushed to the brink of survival, some even kept precariously on the edge by the creative use of federal relief funds. Tens of dozens of dealerships, robbed of customer traffic by an economy that continues to shed jobs and household wealth, have received notice of closures, with 27 Chrysler dealerships and nearly 70 General Motors dealerships slated for elimination.

The aftershocks of the 1811 earthquake continued to be felt for three months. Yet, just as the Mississippi River eventually returned to normal, resuming its southward flow towards the Gulf of Mexico, so too will Missouri return to a state of economic normalcy, albeit with a dramatically reshaped set of economic contours.

In the area of automobile manufacturing, Missourians have held a collectively important seat at the table since the industry's beginnings, proving their sense of innovation and resiliency throughout the industry's repeated ups and downs. Despite the recent shocks to the state's automotive presence, Missouri still possesses these advantages, as well as a strongly woven fabric of skilled manufacturing talent, workforce development and training institutions well-versed with the needs of industry, and a physical infrastructure that facilitates the economical and efficient movement of manufactured goods.

Yet, given the stresses now being felt by Missouri's automotive industry, only decisive action will prevent this fabric from gradually fraying in the long run. Nothing less than the coordinated use of finite resources will prepare the hardworking citizens and entrepreneurial businesses for a vastly changed automotive industry. And nothing short of strategically investing in and leveraging the strengths that have long made Missouri a hub of automotive manufacturing, will allow Missouri to continue competing for the new generation of advanced manufacturing.

In short, the membership of the Automotive Jobs Task Force believes that Missouri has the ability and desire to adapt to the rapidly shifting world of automotive manufacturing. Only with strong leadership can Missouri now take the necessary measures it must now implement to re-assert its role in the global automotive industry.

The Automotive Jobs Task Force is pleased to have an opportunity to provide its recommendations on what its members believe to be some of those necessary measures. Thus, this Task Force respectfully submits the report herein for review and consideration.
We hope this report will give guidance and direction to the Governor and other leaders from Missouri's public and private sectors, as they work together to position Missouri's automotive sector for the future.

Appendix A

Summary of Michigan MEGA Tax Credit Program

The Michigan Economic Growth Authority (MEGA) is empowered to assist Michigan companies that are considering a business closure by awarding a Retention MEGA. Companies eligible for a MEGA Employment Tax Credit against the Michigan Business Tax (MBT) are those engaged in manufacturing, mining, research and development, wholesale and trade, film and digital media, office operations, or certain tourism projects. In order to qualify for a Retention MEGA, companies must agree to the following requirements:

- Retain not fewer than 50 jobs.
- Make new capital investment equal to $50,000 or more per retained job at the facility. New capital investment is defined as construction, acquisition of the company to help retain the business in Michigan, purchase of a building or machinery and equipment, or any other allowable investment.
- Certify to the MEGA that without the credits and the infusion of new capital investment, the facility is at risk of closing and the work and jobs would leave Michigan.
- Certify to the MEGA that the management and/or ownership are committed to improving the long-term viability of the facility by implementing lean practices, better management techniques, state of the art lean manufacturing practices and market diversification.
- Certify to the MEGA that it will make its best efforts to keep jobs in Michigan when making plant location and closing decisions.
- Certify to the authority that the workforce at the facility demonstrates its commitment to improving productivity and profitability at the facility through various means.
- Meet with a representative from the Michigan Economic Development Corporation annually to discuss Michigan business operations related to the Retention MEGA.
- Pay at least 150 percent of the Federal Minimum Wage for each and every retained job.
- Employees must work at least 35 hours per week to be eligible for the credit.
- Demonstrate how the project will create employment opportunities for Michigan and strengthen its economy.
- Require a repayment provision should the company move jobs from the state during the term of the credit or a period of 12 months after the credit has ended.

Other considerations by the MEGA may include but are not limited to:

- Substantially all of the jobs or an entire production line is at risk.
- Local commitment in retaining the company in Michigan.

Depending on the overall investment, each credit may be awarded for up to 20 years and up to 100 percent of the wages and employer-paid health care benefits multiplied by the personal income tax rate. The percentage is determined on the amount of the investment per job. For example, if a company were investing $50,000 per job, the credit would be 50 percent. If they were investing $100,000 per job, the credit would be 100 percent.

The eight-member MEGA Board evaluates project ap¬plications after Michigan Economic Development Cor-porationSM (MEDC) staff has negotiated the terms of the project. The list of factors below will be considered by the Board in determining the amount and duration of the credit:

- Local government or local economic development organization financial or economic contribution to the project;
- The average wage and employer-paid health care benefits relative to other companies within the county where the project will locate;
- Whether the company chooses to reuse or redevelop previously utilized property;
- Whether the project will occur in Michigan without the tax credit;
- Whether the company has engaged in a bench¬marking study or has committed to engage an organization to develop lean practices or market diversification;
- The potential impact on Michigan's economy;
- Any other information the MEGA Board deems necessary to award a credit.

A non-refundable application fee is collected at the time the company submits its application for a MEGA credit. In addition, a one-time only administrative fee of one-half of one percent of the estimated value of the MEGA incentive will be assessed. This fee is payable payable at the time the company requests their initial tax credit and cannot exceed $100,000.

Source: Michigan Economic Development Corporation, MichiganAdvantage.org.

Appendix B

Summary of Ohio Job Retention Tax Credit Program (JRTC)

The Ohio General Assembly created the Job Retention Tax Credit Program (JRTC) in 2002. The program makes available to companies operating within Ohio non-refundable tax credits against their respective corporation franchise tax, Commercial Activities Tax, or income tax obligations. Credits granted under the JRTC allow participating companies to receive credit for a portion of the state income taxes withheld from eligible existing full-time employment positions. The retention tax credit is structured to resemble the Job Creation Tax Credit Program (JCTC), incorporating a number of similar programmatic requirements and conditions for participation. As with its duties under the JCTC, the Ohio Tax Credit Authority (Authority), a five-member independent board consisting of taxation and economic development professionals from throughout the state, is charged with reviewing and approving applications for job retention tax credit assistance. In addition to its review function, the Authority has oversight responsibilities that include monitoring and reporting the progress of approved tax credit projects.

Interested stakeholders are strongly encouraged to review the relevant statutory and administrative code authorities governing the JRTC. See Ohio Revised Code (ORC) §122.171 and Ohio Administrative Code (OAC) Rules 122:16-1-01 through 06. In addition to these legal requirements of the program, the Ohio Department of Development (ODOD) and the Authority adopted these guidelines for eligible companies and projects.

The JRTC program is designed for use exclusively by large-scale capital investment projects. In consideration for a taxpayer's commitment to significantly invest in the acquisition, construction, renovation, or repair of its facilities and/or machinery and equipment, the job retention program offers substantial tax savings.

Note that a municipal corporation, under ORC §718.151, may grant a non-refundable municipal income tax credit against its tax on income to a business entity that also receives JRTC assistance.

Tax Incentives

The Authority may issue tax credits under the program allowing companies to retain up to 75 percent of the state income taxes withheld from eligible full-time employees for a period of up to 15 years. Given the required number of eligible employment positions, the benefits available under the JRTC to participating firms are significant.

Eligible Businesses & Projects

Firms organized as C-corporations, sole proprietorships, limited liability companies, partnerships, and S-corporations may apply for and receive tax credits under the job retention program. An eligible business must be a taxpayer; the taxpayer must pay corporation franchise, state income, or commercial activity taxes to receive the benefit of the JRTC. Specific guidance as to the distribution of JRTC assistance through a pass-through entity is provided under ORC §122.171(I).

To receive assistance, the JRTC requires that companies satisfy the following project requirements:

1. The taxpayer must employ an average of at least 1,000 full-time employees at the project site during each of the twelve months preceding its filing of an application for JRTC assistance.

2. Tax credit assistance is predicated on the taxpayer's maintenance of at least 1,000 full-time employees at the project site for the entire term of any agreement with the Authority. Tax credits are awarded for 1,000 or more "retained positions," defined as positions of employment (a) for consideration for at least 35 hours per week (b) having been filled for at least 180 days prior to the filing of an application and (c) continues to be filled for at least 180 days during each taxable year in which the taxpayer receives credits. The taxpayer is precluded from counting employment positions that are subject to the terms of assistance under the JCTC towards the commitment levels required by the job retention tax credit.

3. The taxpayer must invest at least $200 million in fixed-assets at the project site. The investment must be completed within the three consecutive calendar years preceding the taxable year in which the taxpayer claims the tax credit. The JRTC program defines a project site as a single location from which operations are conducted. Under the terms of the statute, manufacturers may designate multiple locations consisting of one or more integrated buildings or structures within a fifteen-mile radius as one project site. The taxpayer may not begin receiving job retention tax credit assistance until the minimum $200 million investment is completed. In calculating the amount of its capital investment, the taxpayer may not include (a) payments made for the acquisition of personal property through operating leases, or (b) payments made to related members as defined in ORC §5733.042 or to elected consolidated taxpayers or combined taxpayers as defined in ORC §5751.01.

4. The taxpayer is required to maintain operations at the project site for at least the greater of (a) the term of the tax credit plus three years, or (b) seven years.

5. The taxpayer must demonstrate to the state, through its financial statements and sources and uses of funds, that it is economically sound and possesses the ability to complete the required capital investment.

6. Intrastate relocations of employment positions from other locations within Ohio to the project site generally are prohibited. The taxpayer may relocate positions provided it obtains a formal determination by the Director of the ODOD. Companies may not relocate employees to their respective project sites within the lesser of (a) the first five years of the date of execution of an agreement with the Authority or (b) the term of the tax credit. Note that a transfer of an individual employee from one jurisdiction to the project site is not considered a relocation provided the individual's position at the former site is refilled.

7. The local community in which a project is located must provide substantial financial support towards the project.

8. The taxpayer seeking assistance under the JRTC must demonstrate that the tax credit is a major factor in its determination to begin, continue, and complete the capital investment project.

Approval Process

The taxpayer must submit an application for assistance to the Authority. After receiving an application, the Authority will distribute copies for review to the Directors of the Office of Budget and Management (OBM) and ODOD and the Tax Commissioner. Each agency head is charged with determining the economic impact of the proposed project and must submit to the Authority a summary of his or her determinations and recommendations. The Authority meets to approve each project on the last Monday of each month. A representative of the taxpayer must attend the Authority meeting. The Authority encourages local communities to provide representation at the meeting to reinforce their support for each respective project.

Annual Certification

To receive a tax credit, the taxpayer must submit an annual report to the Director of ODOD detailing the number of eligible full-time employment positions, the amount of income taxes withheld from those employees, and the amounts paid towards the completion of the capital investment. Once the Director verifies the information submitted in the taxpayer's annual report, he or she issues a tax credit certificate to be filed with the taxpayer's applicable state tax return. In the event that the amount of the job retention credit is greater than the taxpayer's state tax liability, any unused portion may be carried forward up to three years.

Source: Ohio Department of Development. Last revised 7/10/2008.